

Message Text

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ORIGIN ARA-10

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FM SECSTATE WASHDC

TO AMEMBASSY SANTO DOMINGO PRIORITY

C O N F I D E N T I A L STATE 184144

LIMDIS

E.O. 11652: GDS

TAGS: EMIN, EFIN, EIND, DR

SUBJECT: DOMINICAN POSITION ON BAUXITE

1. IN MEETING IN THE DEPARTMENT AUGUST 21, WE TOOK ADVANTAGE OF PRESENCE IN WASHINGTON OF ING. FERNANDO PERICHE TO DISCUSS WITH HIM DOMINICAN POSITION IN ITS NEGOTIATION WITH ALCOA.

2. SPEAKING IN HIS CAPACITY AS ONE OF THREE MEMBERS OF DOMINICAN BAUXITE COMMISSION, PERICHE SAID THAT GODR HAD DECIDED THIS YEAR TO SEEK RENEGOTIATION OF GOVERNMENT'S CONTRACT WITH ALCOA IN EFFORT TO OBTAIN HIGHER RETURN FOR THIS RESOURCE AND TO BASE CALCULATION ON FINAL PRICE OF ALUMINUM RATHER THAN COMPANY PROFITS. HE SAID THAT GOVERNMENT HAD BEEN UNHAPPY WITH THIS CONTRACT FOR SOME TIME. IT HAD, HE EXPLAINED, BEEN CONCLUDED IN 1957 BY TRUJILLO AND WAS VIEWED WITH SUSPICION AS A CONSEQUENCE. ACCORDING TO PERICHE, THERE WERE RUMORS THAT "MONEY HAD BEEN PASSED UNDER THE TABLE" AT THE TIME THE CONTRACT WAS
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ORIGINALLY NEGOTIATED AND THE TERMS DID NOT, AS A CONSE-

QUENCE ADEQUATELY PROTECT DOMINICAN NATIONAL INTEREST. HE ADDED, HOWEVER, THAT EXCEPT FOR THE FEELING THAT ALCOA DOES NOT SHARE ITS EARNINGS FAIRLY WITH THE DR, IT DOES HAVE A GOOD CORPORATE IMAGE. ALCOA'S CONTRACT, HE STATED,

WAS FOR FIFTY YEARS WITH THE OPTION TO RENEW IN THE YEAR 2007 FOR AN ADDITIONAL TWENTY YEARS.

3. IN THEIR PRELIMINARY NEGOTIATION WITH ALCOA WHICH ENDED IN EARLY JULY, PERICHE CONFIRMED THAT THE BAUXITE COMMISSION HAD ASKED ALCOA FOR INCREASED REVENUE BASED ON THE JAMAICAN FORMULA (I.E., SEVEN AND A HALF PERCENT OF THE PRICE OF FINISHED ALUMINUM INGOTS) WITH ONE MODIFICATION TO TAKE ACCOUNT OF DIFFERING ORE QUALITY AND MINING CONDITIONS: USING 4.8 TONS DOMINICAN BAUXITE PER ONE TON OF ALUMINUM VERSUS 4.3 TONS JAMAICAN BAUXITE. HE SAID THAT ALCOA HAD COUNTER-PROPOSED FOUR PERCENT OF INGOT PRICE WITH THE PROMISE TO PAY RETROACTIVELY UP TO THE LEVEL OF THE FINAL SETTLEMENT ARRIVED AT IN JAMAICA BY DECEMBER 31, 1975. BAUXITE COMMISSION HAD REJECTED THIS OFFER AND HAD INSISTED THAT REVENUE BE PAID AT SEVEN AND A HALF PERCENT LEVEL IMMEDIATELY TO BE ADJUSTED DOWNWARD (WITH REFUND TO ALCOA IF FINAL JAMAICAN SETTLEMENT WAS FIXED AT LOWER LEVEL). IT WAS AGREEABLE TO AN ARRANGEMENT SUCH AS A CONDITIONAL PAYMENT OF THE THREE AND A HALF PERCENT DIFFERENCE "TO AVOID PREJUDICING" ALCOA'S BARGAINING POSITION IN JAMAICA. NEGOTIATION HAD DEADLOCKED OVER THE PERCENTAGE DIFFERENTIAL AND TIMING. ASKED ABOUT WHAT WAS LIKELY TO HAPPEN NOW, PERICHE SAID THAT GODR EXPECTED ALCOA TO COME BACK TO THE TABLE IN THE VERY NEAR FUTURE THAT NEWLY ORGANIZED DOMINICAN GOVERNMENT WOULD REPEAT INVITATION TO COMPANY, AND THAT IF COMPANY DELAYED GODR MIGHT BE INCLINED TO TAKE SOME UNILATERAL ACTION. IN AN ASIDE, PERICHE SAID HE HOPED THAT ALCOA WOULD SEND NEW NEGOTIATORS FOR NEXT ROUND. IN FIRST ROUND ALCOA'S CHIEF NEGOTIATOR HAD INDULGED IN TABLE THUMPING, BROW-BEATING TACTICS. DESPITE PERICHE'S PROTESTATION OF FLEXIBILITY ON PART OF GODR, IMPLICATION WAS CLEAR THAT NOW THAT BALAGUER'S INAUGURATION WAS OVER, CLOCK WAS DEFINITELY TICKING.

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4. IT WAS MADE CLEAR TO PERICHE THAT USG DID NOT INTEND TO NEGOTIATE FOR ALCOA NOR BECOME A PARTY TO FUTURE TALKS. IT WAS EMPHASIZED TO HIM, HOWEVER, THAT WE FAVORED A MUTUALLY AGREED NEGOTIATED SOLUTION AND WOULD VIEW WITH CONCERN ANY UNILATERALLY IMPOSED SOLUTION. PERICHE AGREED THAT MUTUALLY ACCEPTABLE SETTLEMENT WAS OBVIOUSLY DESIRABLE. POINT WAS ALSO MADE TO HIM THAT CIRCUMSTANCES

DIFFERED FROM COUNTRY TO COUNTRY AND THAT SOLUTION
TAILORED TO CONDITIONS IN COUNTRY. A DID NOT NECESSARILY
FIT IN COUNTRY B. PERICHE TOOK THIS IN BUT RESPONDED BY
SAYING THAT THE NATURE OF ALCOA'S OPERATION IN THE DR WAS
QUITE SIMILAR TO ITS JAMAICAN FACILITY AND THAT DIFFER-

ENCES ALREADY CALCULATED BY USING 4.8 CONVERSION FACTOR.
IN FACT, HE CONTENDED, THE DOMINICAN SUBSIDIARY IS CON-
SISTENTLY MORE EFFICIENT AND PROFITABLE ACCORDING TO THE
COMPANY'S OWN FIGURES.

5. COMMENT: FROM OUR CONVERSATION WITH PERICHE, IT
APPEARS THAT GODR IS FIRMLY COMMITTED TO INSISTING ON
JAMAICA-BASED FORMULA FOR INCREASING ITS TAKE FROM BAUXITE.
DIFFICULT TO KNOW, HOWEVER, WHAT ITS FINAL POSITION WILL
BE. PERICHE SAID THAT GODR HAD PASSED INVITATION TO
RESUME NEGOTIATIONS TO ALCOA THROUGH HUGHSON. WOULD
SEEM TO BE IN COMPANY'S BEST INTERESTS TO TAKE INVITATION
SERIOUSLY AND FIELD A TEAM AT AN EARLY DATE WITH SOME
IMAGINATIVE PROPOSALS. KISSINGER

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